TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 569 - SB 1338

March 28, 2011

SUMMARY OF BILL: Requires individuals making determinations to deny health insurance coverage for diagnostic radiology tests to be a licensed medical doctor. Prohibits the health insurer from denying payment for a claim filed for an authorized diagnostic radiology test. Broadens the definition of "practice of medicine" to include any person who countermands the treatment order or recommendation of a treating physician with the intention of influencing the patient to refuse a service or elect to receive a different service.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $1,498,000

Increase Local Expenditures – Exceeds $500,000

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation could result in a increase in the cost of health insurance premiums estimated to exceed $100,000 for plans to shift part of the increase in administrative costs for reviews to enrollees if the plans do not have a licensed physician conducting the reviews.

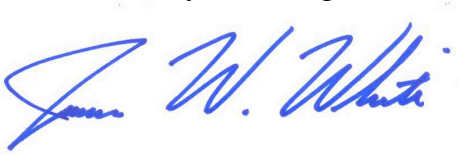
Assumptions:

- The Department of Commerce and Insurance will administer and enforce the provisions of the proposed legislation through complaints filed against an insurer for not using a licensed doctor in its review or for failing to promptly pay a claim. Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.
- According to the Bureau of TennCare, managed care organizations would be prevented from recouping payments for radiology services for an enrollee who was determined ineligible after it was determined that there was a primary payer for the services.
- In FY09-10, TennCare expended $86,503,439 for radiology services. The Bureau estimates that payments for services to ineligible enrollees that cannot be recouped will exceed $1,000,000. These funds will not receive a federal match and will be 100 percent state funds.

- According to the Department of Finance and Administration, the state employee, local government, and local education health plans have modified the plans' administrative framework to provide an up front review of proposals for diagnostic imaging.
- These modifications would result in approximately $12,450,000 in benefit reductions. Of that, 15 percent, or $1,867,500, is for radiology services for the state plan. It is estimated that one-third, or $622,500, of the savings would not be realized if licensed physicians are required to conduct the review. The state pays for 80 percent of the premiums resulting in an increase in state expenditures of $498,000.
- The local government and local education plans will incur a similar increase in expenditures due to savings that will not be realized. Each local government can determine the percentage of premiums that it will cover. While an exact amount cannot be determined, it is estimated that the increase to local expenditures will exceed $500,000 including expenditures to the local employee and local education plans as well as the local governments that do not opt into the state sponsored health plans.
- The broadening of the definition of practicing medicine may result in an increase in complaints, investigations, and prosecutions for unlicensed practice incurred by the Board of Medical Examiners. Any cost can be accommodated within existing resources.
- Pursuant to Tenn. Code Ann. § 4-3-1011, all health-related boards are required to be self-supporting over a two-year period. As of June 30, 2010, the Board had a balance of $890,444.43.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/bos